

MILTON BRICK CO. LIMITED

ANNUAL REPORT

For Year Ended December 31, 1965



To our Shareholders
Our Customers
the Members of our Staff
and the Business Community

It is very pleasing to be afforded the opportunity to report the progress of your Company during the year 1965:
THE 87th YEAR OF OPERATIONS!

1. EARNINGS:

NET PROFITS WERE \$185,481.00 EQUAL TO 34¢ per SHARE in 1965 (EARNINGS were \$319,981.00, before depreciation and taxes). This compares with net profits of \$171,429 for 1964, equal to 31¢ per share.

2. It is most gratifying to note that your company enjoyed an operating profit increase of 18% for 1965 over the year of 1964.

3. As you are aware, the control and management of the Company changed during 1963. The subsequent re-organization caused earnings to drop temporarily, to a level of 16¢ per share (1963). It is encouraging to note, however, that the policies of the newly strengthened management are now being reflected in higher earnings. In view of the greatly increased sales and profits that we have enjoyed so far this year (1966), we are most confident that the earnings of your Company and subsidiaries for the full year 1966 will attain a record high.

4. FINANCIAL POSITION:

Your Company's strong working capital and financial investment position of \$1,042,912. over current liabilities of \$147,471. reflects a ratio of 7.09 to 1. Shareholders equity was increased by 10.4% per share in 1965.

5. DIVIDEND POLICY:

Your Board of Directors of Milton Brick Co., Limited, on November 23rd, 1965, declared a change in the Dividend Rate and Policy, by approving an Increase of the Yearly Dividend for 1966 to 24¢, payable quarterly on the first day of March, June, September, and December.

In the past, it has been a source of confusion and annoyance to our shareholders that dividends were not always paid in the year in which they were earned, and in some cases they were not even paid in the year in which they were declared. That is to say, it was the practice to declare a dividend in December, which only became payable the following January. In 1965, it was decided by your Board of Directors that the Company should pursue a less confusing dividend policy. From now on, dividends will be declared and paid during the year in which they are earned.

6. DIVIDENDS:

DIVIDEND #36 of 6¢ (quarterly) was payable to shareholders of record as of the close of business on February 7, 1966 and was paid on February 21, 1966.

DIVIDEND #37 of 6¢ (quarterly) was payable to shareholders of record as of the close of business on May 20th, 1966, and was paid on June 1st, 1966.

MILTON BRICK CO. LIMITED is a member of that select group of Canadian listed companies which have paid dividends since 1950.

7. GROWTH:

Management's operating plan has successfully increased sales and profits, by advanced quality control techniques, guaranteeing the finest Clay Fired Brick products. Integrated marketing policy, increased efficiency of all departments and subsidiaries, enables your Company to acquire a larger share of the Canadian market.

The integrity and record of growth of your Company is the very keystone with which management will continue to serve our valued customers and shareholders.

8. GLOBAL MARBLE OF CANADA:

Your Company has been gradually diversifying its activities with emphasis on GLOBAL MARBLE OF CANADA. As a result, the Company's future earnings base, has been broadened; with the acceptance by all segments of the Construction Industry. Confirmed orders and contracts already on hand, indicate that the MARBLE DIVISION will continue to enhance the earnings of your Company.

9. A large measure of the credit for these successes can be attributed to the cooperation and effort of our employees and associates, our suppliers, and the continued encouragement expressed by our shareholders.

10. GETTING THE WHOLE STORY:

Your Directors have been giving some thought to the fact that the figure shown in your Company's balance sheet for fixed assets (excluding Current and Investments Assets) does not truly reflect the actual worth of the land, buildings, and machinery owned. An appraisal that was prepared some time ago showed that the fixed assets, which are at present carried on the balance sheet at a value of less than \$500,000. actually had a replacement value closer to \$2,700,000.00.

The Certified Appraisers further suggested that a fair depreciated current market value for these fixed assets, would be somewhere in the order of \$1,800,000. Accordingly, your Directors are giving consideration to the revaluing of these fixed assets on the balance sheet. It is expected that this step will be taken before the year end of 1966.

The net effect would be an increase of the shareholders equity from about \$2.50 a share, to a figure of nearly \$5.00 a share.

On behalf of the Board of Directors (June 1, 1966)

J. T. BLUME, Chairman

DIRECTORS & OFFICERS:

J. T. Blume	-	-	-	-	-	-	President & Chairman.
P. V. Dunn	-	-	-	-	-	-	Insurance Executive and Counsellor, Partner of Law Insurance Agencies, Ltd.
J. R. Y. Hugo	-	-	-	-	-	-	Partner of McDonald, Davies & Ward; our General Counsel.
E. J. Murray	-	-	-	-	-	-	Partner in Barclay & Crawford Ltd., Investment Brokers.
Joseph Pope	-	-	-	-	-	-	Proprietor, Pope & Co, Investment Brokerage Firm.
C. W. Rogers	-	-	-	-	-	-	President, International Real Estate Federation.
							Past President, Industrial Realtors, Toronto Real Estate Board, and a Fellow of the Canadian Institute of Realtors.
M. Weisman	-	-	-	-	-	-	Secretary, Controller.

All Directors are Residents and Citizens of Canada, with the exception of J. T. Blume. Officers who are also Directors did not receive Directors Fees for attending meetings in accordance with company policy inaugurated in 1965 and continuing thereafter.

SHARES LISTED — TORONTO STOCK EXCHANGE (Ticker symbol: MIL)

EXECUTIVE OFFICES & FACTORIES: MILTON, ONTARIO

CABLE ADDRESS: MILBRIK



Milton Brick Co. Li

GLOBAL MARBLE OF CANADA LTD. — TRANSMIL P

Consolidated

December 31, 1965 with

ASSETS

Current assets:	1965	1964
Cash and interest bearing deposits	\$ 168,798	280,523
Receivables:		
Trade accounts	222,703	246,392
Less allowance for doubtful receivables	4,000	16,603
	218,703	229,789
Mortgage principal due within one year	5,000	—
Other accounts	21,095	31,495
Net receivables	244,798	261,284
Inventories, at the lower of cost or net realizable value	219,008	103,863
Prepaid expenses	41,865	31,292
TOTAL CURRENT ASSETS	674,469	676,962
Investments, at cost:		
Marketable securities		
(quoted value; 1965—\$291,373, 1964—\$166,719)	315,493	163,204
7% mortgage receivable, due December 1, 1967,		
less amount included in current assets	40,000	—
Common shares and advances to Global Portuguesa-		
Investimentos Industrias Lda. (subsidiary) (note 3)	12,950	—
TOTAL INVESTMENTS	368,443	163,204
Property, plant and equipment, at cost less depreciation and depletion:		
Land	146,000	166,000
Buildings	982,875	1,060,114
Machinery and equipment	749,214	750,215
	1,878,089	1,976,329
Less accumulated depreciation and depletion	1,388,765	1,374,897
NET PROPERTY, PLANT AND EQUIPMENT	489,324	601,432
	<u>\$ 1,532,236</u>	<u>1,441,598</u>

AUDITORS' REPORT

We have examined the consolidated balance sheet of Milton Brick Co. Limited and its subsidiaries for the year ended on that date. Our examination included a general review of the accounts and such other information as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated balance sheet and consolidated statement of income and subsidiaries at December 31, 1965 and the results of their operations for the year ended on that date are consistent with that of the preceding year. Also, in our opinion, the accompanying consolidated statement of cash flows is consistent with the other financial statements.

Toronto, Ontario.
May 27, 1966

ted and Subsidiaries

ERTIES CORP., LTD. — REGAL TRANSPORT LIMITED

Balance Sheet

Comparative figures for 1964

LIABILITIES

Current liabilities:

	1965	1964
Accounts payable and accrued expenses	\$ 73,186	46,269
Income taxes payable (note 1)	63,249	76,750
Other taxes payable	11,036	9,879
Dividends payable	—	54,708
TOTAL CURRENT LIABILITIES	147,471	187,606

Shareholders' equity:

Capital stock:		
Shares of no par value.		
Authorized 550,000 shares; issued 547,080 shares	672,621	672,621
Earned surplus, per accompanying statement	712,144	581,371
TOTAL SHAREHOLDERS' EQUITY	1,384,765	1,253,992

Notes:

1. The company has claimed for tax purposes capital cost allowances in excess of amounts charged in the accounts and as a result income taxes have been reduced by \$68,500 of which \$11,100 is applicable to the current year.
2. Comparative figures for the year ended December 31, 1964 have been reclassified to conform to the presentation adopted for the current year.
3. Global Portuguesa — Investimentos Industriais, Lda., a wholly owned subsidiary, was incorporated on August 26, 1965. The accounts of that company for the period from the date of incorporation to December 31, 1965 have not been consolidated with those of the parent company as the investment in the subsidiary is not material in relation to the parent company's total assets; no income of the subsidiary nor provision for losses has been included in the accounts of the parent company.

Approved on behalf of the Board:

J. T. BLUME, Director.

C. W. ROGERS, Director.

\$ 1,532,236 1,441,598

THE SHAREHOLDERS

Subsidiaries as of December 31, 1965 and the consolidated statements of profit and loss and the accounting procedures and such tests of accounting records and other supporting evidence

of profit and loss and earned surplus present fairly the financial position of the company at that date, in accordance with generally accepted accounting principles applied on a basis of statement of source and application of funds presents fairly the information shown therein.

PEAT, MARWICK, MITCHELL & CO.,
Chartered Accountants.

Milton Brick Co. Limited and Subsidiaries

CONSOLIDATED STATEMENT OF PROFIT AND LOSS

Year ended December 31, 1965 with comparative figures for 1964

	1965	1964
Operating profit before depreciation	\$ 268,415	235,291
Depreciation	27,837	31,647
	<u>240,578</u>	<u>203,644</u>
Other income:		
Interest and dividends	15,038	22,200
Gain on disposal of investments	14,366	15,999
Royalties, net	50,733	41,639
Miscellaneous	8,286	16,999
Total other income	<u>88,423</u>	<u>96,837</u>
	<u>329,001</u>	<u>300,481</u>
Other charges:		
Interest on bonds	—	20,733
Directors' remuneration	650	1,932
Loss on sale of fixed assets	8,370	549
Total other charges	<u>9,020</u>	<u>23,214</u>
Profit before income taxes	319,981	277,267
Income taxes (note 1)	134,500	105,838
Net profit	<u>\$ 185,481</u>	<u>171,429</u>

CONSOLIDATED STATEMENT OF EARNED SURPLUS

Year ended December 31, 1965 with comparative figures for 1964

	1965	1964
Balance at beginning of year	\$ 581,371	603,306
Add:		
Net profit for the year	185,481	171,429
Unclaimed dividends	—	9,845
Adjustment of capital stock	—	3,904
	<u>185,481</u>	<u>185,178</u>
	<u>766,852</u>	<u>788,484</u>
Deduct:		
Premium on redemption of bonds—net	—	10,375
Bond expense written off	—	44,317
Goodwill written off	—	10,013
Incorporation expense written off	—	992
Bad debt expense relating to prior years	—	32,000
Dividends declared	54,708	109,416
(1964 includes Dividend #34 declared on Dec. 31, 1964 and paid on Jan. 6, 1965)	<u>54,708</u>	<u>207,113</u>
Balance at end of year	<u>\$ 712,144</u>	<u>581,371</u>

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

Year ended December 31, 1965

Funds provided:		
From operations:		
Net profit		\$ 185,481
Add charges not requiring cash expenditures:		
Depreciation and loss on sale of fixed assets	\$ 36,207	
Less gain on disposal of investments	<u>14,366</u>	<u>21,841</u>
Funds provided from operations		<u>207,322</u>
Proceeds from sale of property, plant and equipment		<u>75,901</u>
Total funds provided		<u>283,223</u>
Used as follows:		
Dividends	54,708	
Purchases of investments—net	177,923	
Investment in common shares and advances to wholly-owned subsidiary	<u>12,950</u>	<u>245,581</u>
Addition to working capital		<u>\$ 37,642</u>